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TAXPAYER _____
 SPOUSE _____
 JOINT _____

SELF EMPLOYMENT SCHEDULE C FOR 2011

NAME OF BUSINESS		
ADDRESS OF BUSINESS (if other than home)		
TYPE OF BUSINESS		
FEIN	Federal Employer Identification Number - even if you do not have employees you should have this number. It may be used in any situation where you would normally use your Social Security number, which you should never, ever reveal. An FEIN may be obtained in minutes, online at www.irs.gov .	_____ - _____
GROSS INCOME OF BUSINESS - INCOME FROM ALL SOURCES	This includes the total of all Forms 1099, credit card receipts and cash receipts. It is important this number match as closely as possible the amount of deposits into your business account. If you show more deposits than income, the IRS has the legal ability to call the difference additional income and make you prove otherwise. CARDINAL RULE: ALWAYS PHOTOCOPY ALL DEPOSITED ITEMS SUCH AS CHECKS AND KEEP THESE RECORDS IN A SAFE PLACE.	
RETURNS AND REFUNDS	Deduct any money you had to pay back or return, but only after including this amount in total GROSS INCOME, above.	
GROSS INCOME MINUS RETURNS & REFUNDS	Subtract returns and refunds from gross income	

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COST OF GOODS SOLD (FOR BUSINESSES WITH INVENTORY)

A. OPENING INVENTORY	Must match closing inventory from prior year unless this is the first year of the business, in which case the value will be zero). You must use a consistent method to value the inventory. Examples are 1) cost - where you value the inventory based on what you paid for it - never use the retail value as this will result in accounting errors) 2) lower of cost or market - this method is used when you have inventory which depreciates. Using this method allows you to account for inventory which might have a lower value over time.	
B. PURCHASES OF PRODUCT HELD FOR SALE TO THE PUBLIC	Inventory purchases made during the year. If you have a business where you sell everything you buy, then this will probably be the only entry in cost of goods sold because the opening and closing inventory will be zero.	PLUS
C. VALUE OF PRODUCT WITHDRAWN PERSONAL USE	Inventory you use for yourself or your family	MINUS
D. VALUE OF PRODUCT WITHDRAWN FOR OTHER USE (DEMOS, ETC.)	This is usually for demo purposes, but if you then sell the demo products they must be added back into inventory	MINUS
E. COST OF LABOR RELATED TO PROCESSING PRODUCT HELD FOR SALE	This is labor paid to modify or process raw materials. This expense is present when you buy product which is then worked on and modified before it is then sold to the public.	PLUS
F. COST OF OTHER MATERIALS AND SUPPLIES RELATING TO PRODUCT HELD FOR SALE	This would be for incidental supplies, such as chemicals, which are used to modify raw materials before sale to the public	PLUS
G. OTHER COSTS RELATING TO PRODUCT HELD FOR SALE (SHIPPING, STORAGE, ETC).	This relates to shipping and storage of inventory, and would include the cost of shipping the finished product to a customer.	PLUS
H. CLOSING INVENTORY AS OF 12/31/2009	You must account for the inventory on hand at the end of the year using the same method as used in the opening inventory.	MINUS
COST OF GOODS SOLD		EQUALS

IMPORTANT NOTE: If you calculate your costs of good sold, and you end up with a negative number - look again. A negative number means you are giving your product away at a cost to you. The IRS computers look for this because it indicates the absence of a profit motive, and may be the basis for attempting to classify your business as a hobby.

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EXPENSES

CATEGORY	DESCRIPTION	AMOUNT
ACCOUNTING	Fees paid for accounting, bookkeeping and payroll services	
ADVERTISING	Advertising in print, radio or television media; flyers, brochures and business cards	
BAD DEBTS	Bad debts are deductible only if a) they have been definitely determined to be uncollectible and b) only if the amount has been previously included in GROSS income.	
BANK CHARGES	This includes bank account charges, as well as credit card fees and merchant fees charged when customers pay with credit cards	
COMMISSIONS	REQUIRES PROOF OF PAYMENT AND A FORM 1099-MISC BE ISSUED TO ANY INDIVIDUAL PAID OVER \$600 DURING THE YEAR. These are commissions paid to agents of the business	
CONTRACT LABOR	FORM 1099-MISC BE ISSUED TO ANY INDIVIDUAL PAID OVER \$600 DURING THE YEAR. These are fees paid to independent contractors who work within the business. This is not the same as outside services, which are amounts paid for services to (not within) the business.	
DELIVERY AND FREIGHT	Shipping fees for FedEx, UPS, etc. which are not related to the delivery of product. Fees for the delivery of product go into the shipping category of cost of goods sold, above.	
DUES AND SUBSCRIPTIONS	Memberships in professional organizations, including board fees, bar dues, national organizations, etc.	
EMPLOYEE BENEFIT PROGRAMS	Health insurance, commute and parking subsidies, prizes, awards and parties for employees (NOT the owner). Owner health insurance goes below in its own category.	
INSURANCE	Professional insurance, Worker Compensation insurance, business insurance and umbrella insurance	

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INTEREST - MORTGAGES AND BANKS	Interest paid on bank loans or second mortgages, where the proceeds of the loans may be clearly traced to a business use. You must have a paper trail well documented for this. DO NOT INCLUDE MORTGAGE INTEREST ON A HOME OFFICE HERE! Go to the home office section, below.	
INTEREST - OTHER	Interest on credit cards or unsecured lines of credit used for the business. If you co-mingle personal and business expenses you must separate out all expenses and allocate the interest, but be forewarned the IRS usually will not allow co-mingled interest.	
JANITORIAL	Office cleaning - use only if you have a business location and not for a home office	
LAUNDRY AND CLEANING	Cleaning expenses for towels, linen, carpets and uniforms. You may not deduct cleaning expenses for any clothing which may be worn for ordinary use (non-uniforms).	
LEGAL AND PROFESSIONAL	Attorneys. Financial Consultants and other consultants	
MISCELLANEOUS	Keep this category yo a minimum - for petty and unclassified expenses. A large entry in this area will result in closer IRS scrutiny	
OFFICE EXPENSE	DO NOT INCLUDE THE PURCHASE OF SUBSTANTIAL OFFICE EQUIPMENT IN THIS CATEGORY. OFFICE EQUIPMENT IS TO BE LISTED UNDER CAPITAL EXPENSES, BELOW. This category includes office supplies, such a small equipment, paper, cartridges, pens, etc.	
OUTSIDE SERVICES	REQUIRES PROOF OF PAYMENT AND A FORM 1099-MISC BE ISSUED TO ANY INDIVIDUAL PAID OVER \$600 DURING THE YEAR. These are amounts paid to other businesses which provide services to the business. It DOES NOT include fees paid to an independent contractor who does work for the business. Those amounts go under contract labor, above.	

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PARKING AND TOLLS	Amounts paid to park at temporary work locations or airports. May include tolls as long as the travel is deductible business mileage and not commuting.	
PENSION AND PROFIT SHARING PLANS	The are amounts paid for pension plans by the employer for the benefit of employees. It does not include amounts paid for the benefit of the owner, which are listed below.	
POSTAGE	Include all shipping and postage costs	
PRINTING	Printing for office purposes. Do not include any advertising printing. That should be listed under advertising, above.	
RENT OR LEASE -MACHINERY & EQUIPMENT	Rent paid on office machines, mechanical equipment. Do not include leases on vehicles - that is entered under vehicle expenses below.	
RENT OR LEASE - OTHER	Rent paid for storage (except inventory storage -that goes under cost of goods sold) - and for office space outside the home.	
REPAIRS	Includes costs of all repairs EXCEPT for vehicles - that goes under vehicle expenses, below.	
SECURITY	Includes the cost of alarm service or a patrol service	
START UP COSTS	If you incurred expenses such as legal fees, mileage, travel or any other expense except the purchase of a capital asset in a year prior to the actual start up of your business, you should enter these amounts here. A capital asset is an itme which is designed to last a year or more, such as a computer. These should be listed in the capital assets section, below.	
SUPPLIES	Supplies consumed in the process of conducting business which are not office supplies and which are not held for sale (this is inventory)	
TAXES - REAL ESTATE	These are real estate taxes paid on an outside office location. DO NOT INCLUDE TAXES PAID ON A HOME OFFICE HERE!	

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TAXES- PAYROLL	The five types of taxes paid by the employer on behalf of the employee. These include FICA, medicare, state unemployment, FUTA and the California Training Tax (CTT).	
TAXES - SALES TAX INCLUDED IN GROSS INCOME	If you sell product and include the sales tax collected in the gross income figure above, deduct the sales tax paid over here. In California, this should match the amount reported to the Board of Equalization as the annual sales tax collected.	
TELEPHONE AND INTERNET	All communications costs, including long distance cell phone and internet costs. Fees and upkeep for websites are included here. Fax services are included. IMPORTANT - IF YOU USE ANY OF THESE SERVICES FOR PERSONAL USE, YOU MUST DEDUCT ONLY WHAT YOU CAN SUBSTANTIATE AS THE BUSINESS PORTION OR RISK HAVING THE ENTIRE AMOUNT DISALLOWED.	
TOOLS	Necessary small tools used in the business. Larger or more expensive items should be treated as capital assets, below.	
TRAVEL (NOT INCLUDING MEALS)	IN ORDER TO BE DEDUCTIBLE, THE PRIMARY PURPOSE OF TRAVEL MUST BE BUSINESS RELATED. Travel for its own sake (for education, for example) is not deductible. You cannot, for example, deduct a two week trip to Hawaii because you attend a two day seminar. You would be limited to the expenses incurred during the seminar only. A few extra days is usually justifiable, however. You MUST be able to prove a clear business connection to the travel which is more than incidental. Example: you cannot deduct a week long trip to where family live and justify this based on having your photo taken for a business card.	
TRAVEL - DAYS AWAY FROM HOME	This is for the purpose of calculating per diem. If all travel was domestic, then just put down the number of days away from home. If travel was foreign, list the cities and number of days there, then list domestic travel days separately.	

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MEALS & ENTERTAINMENT	THIS IS A PRIORITY AUDIT AREA FOR THE IRS. Each business meal and entertainment expense must be justified by a business purpose for which you can articulate a profit-motivated purpose. Buying yourself or a co-worker lunch will not work. You must maintain a log of all such expenses under \$75 which includes: 1) Who was entertained, 2) Where, 3) When, 4) How much 5) the business purpose. If the expense is over \$75 you also need a receipt. Do not treat this area casually. If you do a large amount of client entertaining you must keep excellent records.	
UNIFORMS	Clothing not suitable for ordinary wear. Logo T-shirts, clothing of a certain color and shoes (except safety shoes) are not considered uniforms and are not deductible.	
UTILITIES	These are utilities taxes paid on an outside office location. DO NOT INCLUDE UTILITIES PAID ON A HOME OFFICE HERE! Go to the home office section, below.	
WAGES	Take the number for gross wages paid directly from your payroll statement.	
CONTINUING EDUCATION	Education directly related to your business. Indirectly related education may be difficult to justify and will require substantial evidence to connect it to the business.	
BOOKS AND PUBLICATIONS	Online services, books, publications, magazines related to the trade or business	
GIFTS TO CLIENTS	Limited to a value of \$25 per person per year	
MULTI LEVEL MARKETING EXPENSES	When you have become involved with a multi-level marketing company, one of the ways they make money from you is by	

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OTHER EXPENSES	Before listing other expenses, ensure they do not fall into any of the categories listed above. A large amount of "other expenses" is another factor on the IRS selection of returns for audit.	
OWNER HEALTH INSURANCE	insurance by the business owner for him or her and the family (unless a family member is covered by such insurance as an	
OWNER RETIREMENT CONTRIBUTIONS	Contributions by an owner to a self-employed 401(k), SEP-IRA, SIMPLE or profit sharing/pension plan	
LONG TERM CARE INSURANCE - OWNER	This is deductible as health insurance, but only up to a certain amount depending on the age of the person covered. This must be reported separately for each spouse.	
LONG TERM CARE INSURANCE - SPOUSE	This is deductible as health insurance, but only up to a certain amount depending on the age of the person covered. Therefore this should be reported separately.	

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VEHICLE EXPENSES

VEHICLE NUMBER ONE

YEAR AND MAKE OF VEHICLE 1	
TOTAL MILEAGE	This means total mileage driven in 2009 for all purposes. It does not mean the total miles on the vehicle.
Business mileage	These are miles logged from a home office or other office to a work site or client appointment. CARDINAL RULE: YOU MUST MAINTAIN A LOG OF YOUR TRAVEL WHICH INCLUDED THE DATE, MILES DRIVEN AND BUSINESS PURPOSE. IF YOU DO NOT MAINTAIN SUCH A LOG YOU MAY HAVE THIS EXPENSE DISALLOWED IN A SUBSEQUENT EXAMINATION BY THE IRS. YOU MUST ALSO HAVE ANNUAL PROOF OF YOUR ODOMETER READING THROUGH AN OIL CHANGE OR MAINTENANCE RECEIPT. YOU HAVE BEEN WARNED.
Fuel	DO NOT REDUCE THESE EXPENSES BY THE PERCENTAGE OF BUSINESS MILES - USE THE FULL ANNUAL COST. You have the choice of either using a flat rate mileage allowance or actual expenses. You may use whichever produces the larger deduction except that once actual expenses are used you are then locked into this method for the life of the vehicle. Usually, flat rate mileage is better, unless you drive a vehicle weighing over 6000 pounds GVWR.
Maintenance	In this case the depreciation (used only in actual expenses) may produce a better result. But it is important to remember your tax benefit is only in proportion to the business use percentage. Example: your total miles driven for 2009 is 10,000. Only 2000 of those miles are for business. You may deduct only 20% of the depreciation and other expenses, not 100%. If you choose to use flat rate mileage, the only other expenses you may use are interest paid and DMV. You may not use depreciation, fuel, insurance or lease payments because these are included in the flat rate allowed per mile.
Insurance	
Other (tires, etc.)	
Interest on vehicle loan (valid with flat rate mileage)	
Lease payments	
DMV (valid with flat rate mileage)	

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VEHICLE NUMBER TWO

YEAR AND MAKE OF VEHICLE 2		
Business mileage	<p>These are miles logged from a home office or other office to a work site or client appointment. CARDINAL RULE: YOU MUST MAINTAIN A LOG OF YOUR TRAVEL WHICH INCLUDED THE DATE, MILES DRIVEN AND BUSINESS PURPOSE. IF YOU DO NOT MAINTAIN SUCH A LOG YOU MAY HAVE THIS EXPENSE DISALLOWED IN A SUBSEQUENT EXAMINATION BY THE IRS. YOU MUST ALSO HAVE ANNUAL PROOF OF YOUR ODOMETER READING THROUGH AN OIL CHANGE OR MAINTENANCE RECEIPT. YOU HAVE BEEN WARNED.</p>	
Fuel	<p>DO NOT REDUCE THESE EXPENSES BY THE PERCENTAGE OF BUSINESS MILES - USE THE FULL ANNUAL COST. You</p>	
Maintenance	<p>have the choice of either using a flat rate mileage allowance or actual expenses. You may use whichever produces the larger deduction <u>except that once actual expenses are used you are then locked into this method for the life of the vehicle.</u> Usually, flat rate mileage is better, unless you drive a vehicle weighing over 6000 pounds GVWR.</p>	
Insurance	<p>In this case the depreciation (used only in actual expenses) may produce a better result. But it is important to remember your tax benefit is only in proportion to the business use percentage. Example: your total miles driven for 2009 is 10,000. Only 2000 of those miles are for business. You may deduct only 20% of the depreciation and other expenses, not 100%. If you choose to use flat rate mileage, the only other expenses you may use are interest paid and DMV. You may not use</p>	
Other (tires, etc.)	<p>depreciation, fuel, insurance or lease payments because these are included in the flat rate allowed per mile.</p>	
Interest on vehicle loan (valid with flat rate mileage)		
Lease payments		
DMV (valid with flat rate mileage)		

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HOME OFFICE

DO NOT APPLY ANY REDUCTIONS - GIVE THE EXPENSES FOR THE FULL HOUSE

Size of HOME office in square feet	In order to be deductible, your home office area must be <u>exclusively</u> used for your business, and for no other purpose. Your office does not have to be an entire room, but may be a portion of a room. In addition, you may include in the square footage of the homeoffice any space used as storage for inventory.	
Size of home in square feet	This is the square footage of the entire house including the garage.	
Total annual utilities paid	Only interior utilities are deductible. These include the following: A. Electric, gas, propane and firewood B. Cable, water, sewer and trash C. Cleaning services	
Homeowners insurance	Annual amount paid for homeowners insurance, mortgage insurance and, if applicable, flood insurance.	
COMPLETE THE BELOW TWO SECTIONS ONLY FOR THE FIRST YEAR OF USE		
Value of Home	The fair market property of the home on the first day the home office was used.	
Date first used home office	This is the date on which you first started using the home office space exclusively for the business, and at which time the business was actively operating.	

COMPLETE THE BELOW SECTIONS ONLY IF YOU HAVE A CHILD CARE OPERATION IN THE HOME

TOTAL HOURS OF CHILD CARE DURING THE YEAR	
PERCENTAGE OF INTERIOR OF HOME USED FOR CHILD CARE	
MEAL EXPENSES FOR CLIENT CHILDREN	

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